

## **A change in accounting for Savings Program expenses.**

**As we have previously discussed, the change from a single employer to a multiple employer plan for the Savings Program has changed our methods of accounting. Now that we have changed the method of accounting for most of our savings plan funds, let's examine the method for deducting administrative and custody fees from the participant's accounts.**

**Our old method of accounting used the unit value to account for expenses. A unit value of each investment was calculated each day, taking into account not only the changes in the market value of the securities in the investment fund but also making a provision for a daily amount of administrative expense. Essentially, this meant that the participant never had a change in the units held representing a charge for fees, but rather a daily change in the unit value reflected this charge.**

**See Table I**

**Now that we have switched to a share value accounting method, administrative and custody fees are deducted once each quarter from the participant's account. This is accomplished by determining the total administrative and custody charges for the quarter, allocating this charge to all participants based on the ratio of participant account balance to total balance and then reducing the number of shares owned by the participant by the amount necessary to cover the allocated fee. This means that the participant will experience a decrease in the number of shares owned each time the fees are assessed. Until we revise the statement format, the fees will be combined with the earnings in the earnings column.**

**See Table II**

**The amount of the expenses assessed to the participant was exactly the same under either method. The only change was to have it reflected in the unit value or in the number of shares.**

**We are working hard to reduce the fees charged for administration. Since the program began, we have been able to reduce fees by almost 25% and we hope to achieve another significant reduction in the near future.**

Table I

# Unit Value Accounting and the Charging of Expenses

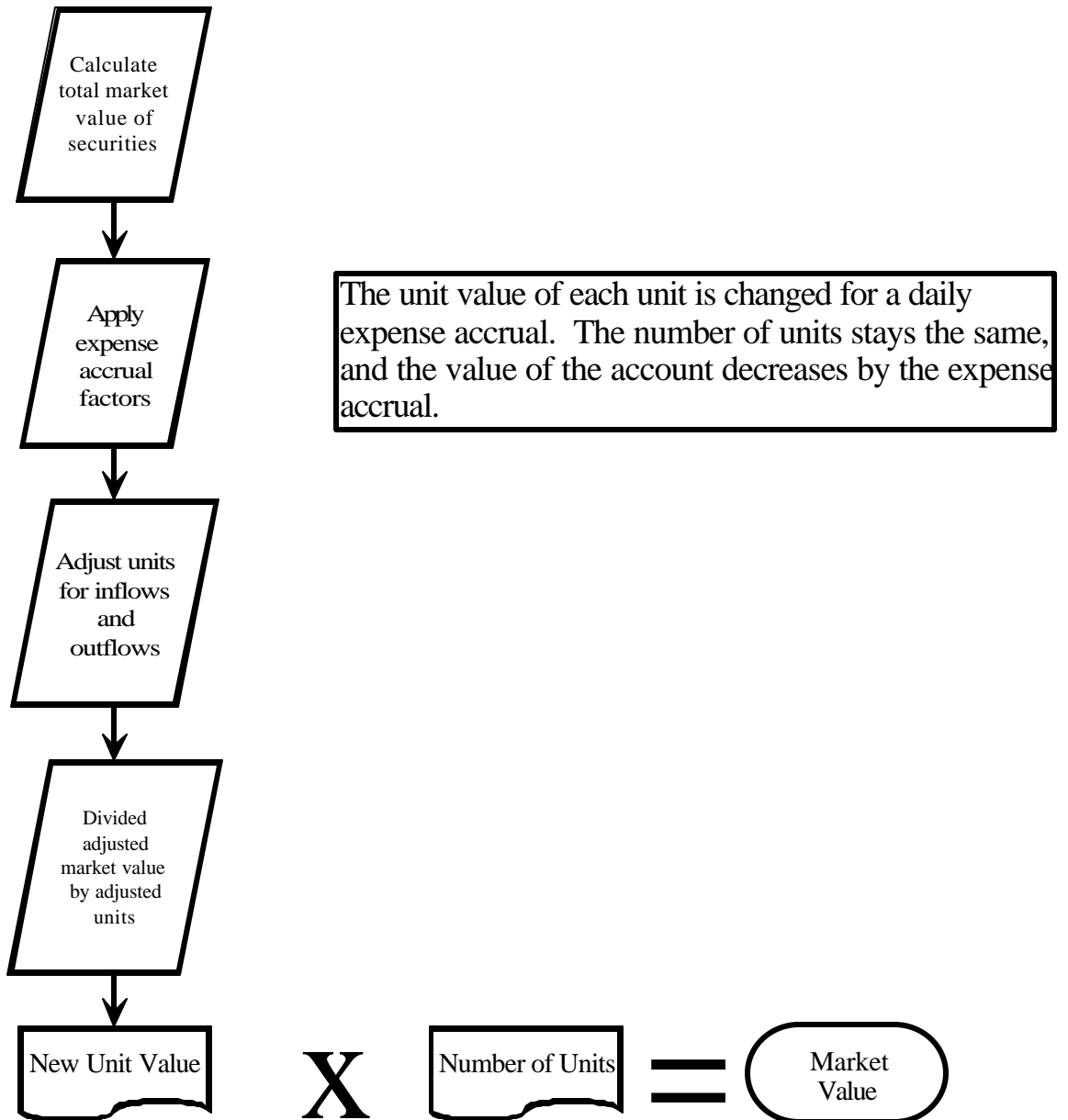




Table II

## Share Value Accounting and the Charging of Expenses

